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Newcastle woman demands attention in her gadfly role

By **Susanne Craig**
The Wall Street Journal

In 2004, months before Krispy Kreme Doughnuts stock tanked amid an accounting scandal, securities regulators were hearing about the company from a Seattle-area woman who collects stuffed animals and uses the e-mail handle LoveLEHGirl.

Yolanda Holtzee, 50, of Newcastle spends her days writing to the country's top stock cops and corporate executives. A money manager by trade, she devours news and surfs Internet chat rooms befriending stockbrokers and middle managers. She digs for dirt, passing on some of the tidbits she gets to regulators and journalists, sometimes well before they become public information.

Last year, acting on a tip about suspicious stock trading from Holtzee, the Securities and Exchange Commission brought charges against an Estonian financial firm that the regulator alleged was trading on material information it had stolen from a secure Web site.

In 2004, working chat rooms, she helped regulators track down mutual-fund market timers. She writes like an insider, plays favorites with certain firms and individuals and pummels regulators.

"I wish I were a securities regulator sometimes. I would very much enjoy levying fines on StanLEH Morgan and making Gary Lynch cry like a baby!" she wrote in a March e-mail to a number of SEC officials.

Morgan Stanley has recently drawn regulatory fire for its inability to produce documents in a number of cases, a subject Holtzee has focused on. Lynch is Morgan Stanley's chief legal officer and a former regulator.

Self-styled investigator

Wall Street is full of corporate gadflies, many agitating for corporate-governance reform or focus on arcane bylaw changes.

Holtzee, a self-styled Internet investigator in sweat pants, focuses on exposing out-of-bounds behavior and catching bad guys. And after pointing regulators in the right direction more than once, Holtzee has achieved two things every gadfly craves: attention from those she targets — and action.

"I think people take her seriously because she has good instincts and actually produces cases," says former senior SEC official Ari Gabinet, now with the Vanguard Group, the fund-management giant. "If I could have hired her, we would have had an endless stream of cases."

Holtzee swaps notes with regulators, including the enforcement chiefs at both the SEC and another Wall Street regulator, the National Association of Securities Dealers, according to people familiar with the matter.

The SEC and NASD review her e-mails. Earlier this year, when Mary Schapiro was appointed to head the NASD, the Wall Street self-regulatory group gave Holtzee an early heads-up, according to people familiar with the matter. She has been called by the SEC to testify in Washington, D.C.

"Investment club"

On her Yahoo! user profile, she lists her hobbies as: "Making \$\$\$ for my clients" and for Bear Stearns Cos., Lehman

Brothers Holdings and Jefferies, three of her favorite stocks.

Holtzee was born in Wisconsin and says she has a graduate degree from the University of Southern California in operations management.

She has held a number of management jobs in the packaging industry, working for such companies as Alcan Aluminum and Ball. In 1998, hoping to make more cash, she began managing money, she says, for a handful of wealthy individuals.

She says she stopped taking in new investors in 2000 and won't disclose her firm's assets under management or its performance.

Holtzee refers to her company, Alcap, as an "investment club" and says she employs two traders in Connecticut and a compliance officer.

She works out of her house, which she shares with a friend. Her home is littered with cat paraphernalia, including a cat night light, kettle and cookie jar, and she has six cats, including two named Star and Buck, to keep her company.

Her trading is focused on a handful of sectors: beer and beverages, metals and financial services.

She tends not to send e-mails on companies she owns and says she discloses her interest when she does. Despite her slashing e-mails, she is reserved in person. She seldom phones the people she corresponds with, and few have met her.

Early riser

She starts her day at 2 a.m., reads newspapers online over a bagel and coffee, and combs the Net for tidbits. One favorite place to hunt: the raucous [Yahoo.com](http://www.yahoo.com) chat rooms.

She sends out an average of 20 e-mails a day, many of them addressed to a number of recipients, before taking a two-hour nap in the afternoon, usually after the markets close.

She started e-mailing regulators in 2001, about the time New York Attorney General Eliot Spitzer began his campaign to reduce conflicts of interest on Wall Street.

Soon, she had the e-mail addresses of dozens of regulators, journalists and executives. She says "sheer boredom" and a sense of fair play have her at the keyboard at all hours.

Her nickname, which includes the stock-market symbol for Lehman, comes from her affinity both for that firm and for Mark Lehman, Bear Stearns' former general counsel.

"We need to put this AR Baron mess to bed," she wrote in an e-mail to Mark Lehman in 1998, when the firm was facing allegations it ignored signs of fraud at A.R. Baron & Co., a securities firm for which it cleared trades.

Bear eventually settled the SEC charges without admitting or denying them. After an e-mail exchange, Lehman invited Holtzee to phone him. She did and liked what she heard. Not long afterward, she incorporated his name in her e-mail name. In an interview, Lehman said he was unaware that she had done that. He declined to comment further.

Aiming at Krispy Kreme

In late 2001, Krispy Kreme opened a store in Issaquah, its first in the Seattle area.

Holtzee noticed that initially, the place was packed, and she felt the company was overhyped. Then the crowds fell back. In 2003, she sold the stock short, meaning she would profit if it declined, and began asking around about the doughnut maker on Internet chat rooms.

She exchanged notes with an investment banker she knew only by the name Tom who did business with Krispy Kreme.

He told her the business had poor internal controls, and she passed his notes along to the Dallas-Fort Worth SEC office,

including several to Harold Degenhardt, former head of that office and now a private attorney. "She focused on certain perceived problems at Krispy Kreme very early," Degenhardt says.

Krispy Kreme is still dealing with lawsuits and criminal and civil investigations stemming from its accounting misstep. And its stock, once trading near \$50 a share in 2003, closed Friday at \$8.69.

In May last year, she tipped the SEC to some suspicious trading volume in a Philadelphia biotech company she was interested in. Former SEC official Gabinet says the tip led investigators to look at an Estonian investment bank that happened to be trading in that stock and a number of others.

The SEC later accused the investment bank of repeatedly stealing information about press releases on U.S. companies from distribution service Business Wire before public release.

In 2001, software company Microstrategy sued Holtzee after she posted a "negative research report" on a Yahoo! chat board.

The suit was dismissed and Holtzee signed an agreement that she would not discuss it. Microstrategy declined to comment.

And in 2004, she found out from America Online that the SEC had subpoenaed the Internet provider for her name and address, thinking she might have information on a probe into the trading of a top Lehman Brothers analyst. She didn't.

And she was livid, saying several people at the SEC already knew who she was.

"A simple 'Dear LoveLEHGirl, who are you? I have some questions for you' would have worked."

Seattle Times Business desk editor Bill Kossen contributed to this report.

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